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SUBJECT: NINGBO ECONOMY HURT BY ECONOMIC CRISIS, OFFICIALS REMAIN  
CONFIDENT

11. (U) Summary. On July 13, the Consul General (CG) met with officials at Ningbo University (NU), Ningbo Foreign Trade & Economic Cooperation Bureau (NFTECB) and Ningbo Municipal Development and Reform Commission (NMDRC), to discuss that major port city's economy. Local officials insisted that, despite the negative impact of the economic crisis, the economic and business environment in the city remains strong. Officials were confident that with slight adjustments to Ningbo's economic structure, and an eye for new opportunities and cooperation, Ningbo will continue to remain an economic engine of Zhejiang province and East China. Septel reports CG's discussions with Port of Ningbo officials. End summary.

12. (U) Background on Ningbo: As Ningbo officials invariably point out, the city has been an important trading center for at least 2,000 years. Ningbo was one of the first foreign treaty ports in the 1800s and is the original home town of many successful Shanghai, Hong Kong, and overseas business people, including Hong Kong shipping magnates Sir Y.K. Pao and C.H.Tung.

The city of 5.6 million people was granted sub-provincial administrative status in 1994, giving it the same authority as provincial governments for economic administration. With driving time for Shanghai cut from four to two hours by the 2008 opening of the 36-kilometer-long Hangzhou Bay Bridge, officials are counting on drawing more tourists and businesses from Ningbo's better-known neighbor.

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Ningbo University: Growing, Internationalizing  
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13. (U) At Ningbo University (NU), the CG was greeted by University President NIE Qihua, Assistant President WANG Wenbin, and NU Foreign Affairs Director CHEN Yujuan. President Nie explained that NU is "a young university," founded in 1986 with support from Ningbo-born overseas Chinese, such as Hong Kong's Sir Y.K Pao. The university has grown rapidly, with 28,000 students and an increasing number of international cooperative programs, including Purdue University, University of Wisconsin-Milwaukee, Pittsburgh State University and Western New Mexico University. The university is seeking to cooperate with foreign universities in the sciences and sending university administrators abroad for training.

14. (U) Director Chen noted that the university is closely integrated with Ningbo's economy; by training students in the fields of human resources, technology, and culture, NU is

upholding its motto of "Serving the City." Chen remarked that 60% of Ningbo graduates work in the local economy and that 70% of R&D results completed at NU end up being used by local companies.

15. (U) Chen emphasized that NU is the youngest university in the country to offer PhD programs and explained that NU had adopted a policy of "giving the choice of education to students". In a partial step away from the traditional Chinese system that places students in a major on entrance, all first-year students at NU take general courses, although they are still assigned to a department. After entering their second year, students in the top 15% of the class are able to choose any major regardless of department (eg., a student in the math department could choose economics as a major). All other students will be able to choose any major within their assigned department (eg., a student in the math department could choose calculus, but not economics, as a major). NU began this program in 2008 and is the only university in China to offer this type of flexibility in changing majors.

16. (U) In answer to a question about unemployment among recent graduates, the hosts expressed confidence that NU students had not and would not encounter any serious problems. As we have heard from other universities, officials explained that they have made efforts to "lower student expectations of high-paying jobs" upon graduation, while implementing other policies and measures to better prepare students to enter the job market.

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Opportunity within the Economic Crisis  
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SHANGHAI 00000334 002 OF 004

17. (U) The CG visited the Ningbo Foreign Trade & Economic Cooperation Bureau (NFTECB), meeting Director YU Danhua and Section Chief WEI Rencan. Emphasizing Ningbo's important export role, Director Yu, noted that "for every 100 dollars" of goods that China exports, "five dollars" of it comes from Ningbo. Yu claimed that 25% of Ningbo's population is involved with import and export businesses, and that Chinese hailing from Ningbo are conducting business around the world.

18. (U) In 2008, Ningbo's total trade volume was USD 67.8 billion, with export volume double that of imports. Total trade volume with the United States reached USD 9.2 billion in 2008. Ningbo currently has over 12,000 foreign-invested enterprises with accumulated FDI of over USD 20 billion. There are 1,456 U.S.-invested projects in Ningbo, including fifteen by Fortune-500 companies. Yu asserted that in the first half of 2009, the cargo throughput of Ningbo Port exceeded the Port of Shanghai's.

19. (U) Within Zhejiang province, Ningbo consistently achieves high marks. Foreign investment in Ningbo accounts for 60% of the province's total foreign investments. Ningbo's export volume is ranked first in Zhejiang province, accounting for 30% of the provincial total, while Ningbo's import volume accounts for 25% of Zhejiang's total. Nationally, Ningbo leads the country with the most "famous national export brands" for a single city (20). Ningbo currently has 900 enterprises operating in 60 foreign countries, including 179 in the United States.

110. (U) Yu readily admitted that the global financial crisis has slowed Ningbo's economy, citing a 17% decline in exports to the U.S. and a 32% decline in imports from the U.S. as examples. Yu insisted, however, that Ningbo has not been hurt as badly as elsewhere in Zhejiang province, and that the global financial crisis provided Ningbo an opportunity to improve standards for product quality. Despite the financial crisis, Ningbo has still achieved 56% of its FDI target in 2009 through the first half of the year.

111. (U) The Ningbo Municipal Government is urging local

enterprises to improve the quality of their products and to use innovative technologies in order to emerge from the crisis more competitive. The government has started to offer free training programs for importers and exporters in order to strengthen Ningbo's business environment, with the goal of training 3,000 persons per year. Advanced manufacturing and modern service industries are the sectors the city hopes to develop in the future. Additionally, Ningbo's low labor and operating costs will help the city to facilitate its outsourcing industry, which is already ranked eleventh in China based on revenues.

¶12. (U) Ningbo will continue to adhere to its general strategy which emphasizes "winning not only in exports, but also in foreign investments." Yu said the quality of foreign investments was more important than quantity at this time, noting that environmental protection was a concern. Ningbo has started to reject FDI that does not meet the city's environmental standards, the first city in China to take such a measure.

¶13. (U) When asked, Yu said that IPR cases within the city are few and that the city has a "very mature strategy" to deal with and settle all cases.

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Ningbo's Economic Challenges  
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¶14. (U) The CG also visited the Municipal Development and Reform Commission (NMDRC), which Vice Director Zhan Rongsheng described as a "comprehensive department" responsible for designing and planning Ningbo's development strategies. The key tasks for the commission are maintaining economic growth, making adjustments to the economic structure of Ningbo, and improving citizens' livelihood.

¶15. (U) Zhan outlined several challenges that Ningbo is facing,

SHANGHAI 00000334 003 OF 004

all of which were due to the economic crisis. As external demand shrinks, profits are squeezed and incomes become stagnant or shrink. As a result, domestic consumption is unable to grow. Small and medium enterprises (SME) face problems of shrinking markets, difficulties in attaining new loans and a shortage of funds to upgrade technology and equipment.

¶16. (U) Ningbo has received RMB 80 billion from the provincial and central governments in stimulus money, which Zhan believed would drive up to RMB 300 billion worth of investments in Ningbo. The investments would primarily focus on housing, infrastructure, environmental and transportation projects, and improving the social safety net. Ningbo received solid support from the central government, Zhan said. The central government has also accelerated approval of Ningbo's projects and loosened monetary policy so banks can provide funding and financing more easily.

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Balancing Environment and Development  
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¶17. (U) Asked about environmental protection, Zhan responded that priority is given to balancing environmental protection and economic development. However, the key drivers of Ningbo's growth (petrochemicals, steel, paper making and shipbuilding), are also highly polluting industries. The NMDRC therefore requires these industries to use advanced equipment and technology to prevent pollution and to meet carbon dioxide emission standards.

¶18. (U) In a 5-year reform plan (2006-2010), the Ningbo government is seeking to reduce negative environmental impact through four mechanisms: 1) upgrading technology and equipment, 2) industrial restructuring and regulating high energy consuming projects, 3) developing waste treatment projects and other environmentally beneficial construction projects, and 4)

assessing fees for polluting enterprises.

¶19. (U) Zhan said that Ningbo's fee-based system was copied from a cap-and-trade proposal in the United States. Zhan explained that there is a complete monitoring system for water and air quality, including both sample monitoring systems and mobile units, and that this information is available to the public (Note, during our three-day visit the skies were consistently blue. According to government data available online, the Air Pollution Index in Ningbo generally falls within Class II and Class III, which are classified as "Good" and "Slight Pollution" respectively, end note).

¶20. (U) Asked to explain how Ningbo deals with providing social welfare, Zhan confidently responded that Ningbo is "the best in Zhejiang province" in dealing with this critical issue. He said there is a "complete system" that balances pensions, medical insurance, unemployment, injury and maternity leave. In 2008, the Ningbo government upgraded its pension benefits system to expand coverage and raise standards.

¶21. (U) Zhan said that the 2010 World Expo in Shanghai would have a positive impact on Ningbo businesses because: local companies would inevitably be involved in construction projects in Shanghai, local businesses could establish pavilions, at the Expo, and there would likely be a spillover of tourists to nearby destinations, including Ningbo.

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Sports Exchange with the United States  
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¶22. (U) At a dinner hosted by Ningbo Party Secretary BAYIN Chaolu with municipal officials on July 13, the Secretary noted that Ningbo is eager to promote exchanges with U.S. sports and cultural institutions. Given the growing popularity of the NBA in China, Ningbo officials specifically expressed an interest in cooperating with the NBA. Ningbo is in the planning stages of expanding its downtown area towards the east side of the city, creating a 17 square kilometer "New Downtown" for sports and cultural institutions. Ningbo officials toured the U.S. in April, studying financial systems in New York, sports and

SHANGHAI 00000334 004 OF 004

culture in Los Angeles, and visiting Atlanta, building their hopes for U.S. partners in these endeavors.

¶23. (U) The CG was accompanied to Ningbo by State summer intern and LES Economic Assistant (note takers).  
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